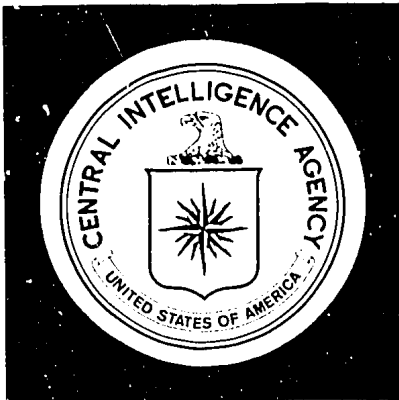


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Shah of Iran: Royal Revolutionary

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Shah of Iran

ROYAL REVOLUTIONARY

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Five thousand representatives of Iranian organizations gathered in Tehran this week for a national congress marking the tenth anniversary of the White Revolution, the device by which the Shah has brought Iran into the 20th century. The celebration is referred to locally as the sixth of Bahman, the date on the Iranian calendar when in 1963 the Shah's package of land reform and other related programs was endorsed in a referendum.

In the intervening ten years, the Shah has grown into a supremely self-confident ruler, who has to his credit an impressive list of successes. Although Iran is theoretically a constitutional monarchy, in practice all branches of the government are dominated by the Shah, who holds absolute power and makes all decisions. The right to form political parties and hold free elections has been narrowly circumscribed by the Shah, who closely controls even the most parochial of political processes.

Conscious of his own mortality, the Shah is in a hurry to establish Iran economically, politically, and militarily as the most powerful and prestigious country in the Middle East. Virtually every thing that has been achieved in Iran is directly attributable to the Shah's dynamism and his taking "this king business" seriously. This is both a major strength and weakness. The Shah alone supplies direction and coherence to the government. As long as he reigns and remains flexible enough to make necessary changes, Iran should thrive. Without him, the stability and prosperity he has established will become extremely vulnerable.

Ten Years of Social and Economic Progress

Mohammed Reza Shah Pahlavi was only 21 when British and Soviet forces occupied Iran in 1941 in order to open transit routes for war materiel. This move by the wartime allies forced his father's abdication and his own accession to the throne. At first, the new monarch seemed a pale reflection of his tough, aggressive parent, and for almost 15 years his rule was in many respects secondary to that of the old time politicians competing for personal political power. Not until the mid-1950s, following the overthrow of the erratic nationalist Mohammed Mossadeq, did the Shah begin to tighten his grip on the power structure. By the end of the decade, he had brought the government entirely under his authority, but in the process he suffered a sharp decrease in personal prestige. The Shah was blamed for the persistence of near feudal economic and social conditions. Similar regimes were collapsing elsewhere in the region, and few observers believed the Shah was capable of the reforms needed to save the monarchy.

That the Shah and the monarchy did survive was due to a fortunate confluence of circumstances, the force of his personality, and a fair measure of luck. Since 1963, the Shah has transformed his image. The reactionary conservative has blossomed into a royal revolutionary and social reformer. The vehicle for this transformation has been his White Revolution, which began in 1963 as a reform program designed to undercut his opposition and gain support from the people.

The Shah recognized from the start that major reforms would be risky, but he correctly reasoned that the support of the traditional aristocracy alone was of diminishing importance. It could be replaced by a new elite that included, in addition, the growing middle class. He saw much to be gained from establishing a public image as a progressive ruler both at home and abroad, but he was also moved by a genuine concern for the average Iranians' well-being.

Only two aspects of the program have met active opposition: land reform—the most

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significant element of the original program—and giving women the vote. Opposition to these proposals culminated in riots in Tehran in June 1963, but by that time the Shah was too committed to back down. If anything, the disorders strengthened his resolve to press forward, though sometimes at a pace and in a manner more tailored to the sensibilities of those affected.

Reform and Development

In general, the White Revolution has been more a political than an economic success, and this is true of land reform in particular. Virtually without bloodshed, nearly all of the 90,000 square miles of arable land formerly owned by the Shah, the state, and landlords (constituting about 1 percent of the population) has been transferred to the ownership of the peasants (about 45 percent of the population). The only exception was a small percentage of land farmed mostly by machinery and some orchards.

Although many problems are still to be smoothed out, the agricultural economy did not suffer during the transfer, and the new peasant owners work the land more productively than before the revolution. The annual growth rate of agricultural output is about 3 percent, an achievement that many developing countries would envy, but short of the 4.4-percent goal set by Iran's planners. Land reform provided very little for the large numbers of laborers employed on the farms.

The reform movement, in general, has maintained its momentum even though some specific programs have lagged. The bolder and more imaginative programs have periodically given fresh stimulus to the movement as they entered new stages; land reform, for instance, has gone through three such phases. The Literacy Corps, the Health Corps, and the Extension and Development Corps were designed to bring groups of draft-age Iranians to the countryside to improve education, health, and living standards. These groups have been able to work effectively in a rural environment and have benefited from the changing landlord-peasant relationships. These programs are expanding.

The White Revolution

On 26 January 1963, the initial six points of the Shah's program for reform and development—the White Revolution—were approved by popular referendum. They included land reform, electoral reform, the Literacy Corps, the sale of government factories, nationalization of forests, and workers' profit sharing. Three more were added in 1963: the Health Corps, the Extension and Development Corps, and the village court system. Two years later the list was increased to 12 with the addition of a program of administrative and educational reform, a program to promote regional development, and the nationalization of water resources.

Land reform and the Literacy Corps have undoubtedly had the most impact and have been the most successful programs. The Health and Extension Development Corps have also enjoyed some success, not the least of which has been the establishment of a government presence and channels of communication in remote villages usually ignored by Tehran. At least 3,500 Houses of Equity and nearly 200 Arbitration Councils have been opened as part of the modernization of the village court system to accelerate the settlement of cases.

Other parts of the 12-point program have had less impressive results. The nationalization of forests and water, relatively unspectacular and implemented fairly slowly, has made little impression. The sale of government factories did not generate much enthusiasm and, despite continuing government efforts to sell off some of its uneconomical factories, it has had little success. The workers' profit-sharing program, still very much publicized, is unlikely to meet its lofty goal. Election law reform has streamlined the mechanics of holding elections, reducing to one day a process that at times had taken more than a week, but has not resulted in the development of any real political contests. Any advances under the program of administrative reform, which is still viewed with skepticism, have been marginal and often coincidental. The Iranian bureaucracy has an almost legendary ability to absorb the waves of reform and the cries of outraged citizenry while still continuing as before.

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The reform movement has had its greatest impact in rural areas. Despite the Shah's efforts to convey the impression of a social revolution changing both rural and urban Iranians, the benefits accruing to the urban population, with some exceptions, have been more the result of the country's economic progress than of specific reform programs. The key to that economic progress has, of course, been the substantial increase in Iran's income from oil revenues and the skillful handling of foreign credits.

Iran has developed to the point where it has the largest gross national product in the Middle East, more than twice that of either Egypt or Israel, and is growing at a faster rate than that of any country in the region. Since 1964, Iran has enjoyed an average annual growth in real Gross National Product of 11 percent, a rate approached only by Israel in the Middle East. This growth rate is the result of large-scale public and private investment, supported by increasing amounts of foreign financial and technological assistance.

Iran's rapid economic expansion is heavily dependent on oil revenues which, at \$2 billion in

1971 and an estimated \$2.4 billion in 1972, account for 85 percent of export earnings and about 60 percent of annual government receipts. The importance of oil to Iran's economy is demonstrated by the fact that the Shah takes personal charge of negotiating all oil agreements. He has repeatedly pressed the consortium—a group of Western companies that extracts and markets roughly 90 percent of Iran's oil—for more rapid growth in production and for higher revenues. Last June, after hard bargaining, the Shah tentatively extended the consortium's concession to 1994 in exchange for its nearly doubling production and transferring some of its assets to the government-owned National Iranian Oil Company. He changed his mind when neighboring Persian Gulf countries subsequently received what the Shah considers to be better terms from their concessionaires. He is now renegotiating his earlier agreement.

Iran's economic successes have not been an unmixed blessing. Rapid growth has given rise to a number of economic and social problems. Massive population shifts have strained urban community services. There is unemployment and underemployment on a wide and visible scale.



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The country's new-found wealth has been unevenly distributed; upper and middle income groups have benefited enormously while some lower income groups have benefited slightly. Economic planners have had to cope with inflation and with shortages of trained personnel to manage and man expanding industries. These problems will have to be addressed if the Shah is to sustain the image of Iran as a reforming as well as a prospering country.

The Shah and the Government

The Shah dominates Iranian political life. His successes over the past decade, and particularly the country's extraordinary economic growth, have made him a supremely self-confident ruler. He considers himself the best informed man in Iran, but has a voracious appetite for more knowledge. He surrounds himself with loyal, educated, and politically sophisticated advisers whose talents he uses to manipulate the national and local bureaucracies and the legislature. To oversee the entire system and maintain control, the Shah employs an omnipresent security network.

The Shah usually works seven days a week, spending from about 0900 to 1330 and from 1600 to 1930 in his office. During these hours, he receives a steady stream of visitors, including top officers of the Iranian Government and the armed forces. Although most important officials see the Shah on a fairly regular basis, there are a few that enjoy a much readier access to the monarch—these are the 10 to 15 most important court, government, military, and security officials.

The Shah's work schedule is somewhat less rigorous than in the past, but he still turns over only the less important business to subordinates. On routine Pahlavi Foundation matters, for example, he is more likely now to turn to its administrator, Senate President Sharif-Emami, than he would have done in the past, when he personally used to approve or disapprove applicants for the 3,000 scholarships administered by the foundation. On more weighty matters, he has not lost his taste for detail. He directs or at least reviews all significant actions by the ministries, he

personally appoints a host of civilian officials and all military officers down to the rank of major, he parcels out diplomatic assignments, and he passes on individuals running for legislative seats.

It is a taut system the Shah has established. He delegates little, and his awesome personality inhibits his advisers, who may tell the Shah what they think will please him instead of what they believe to be the truth. The Shah recognizes this and frequently zeroes in with astute questions. In recent years, the Empress, who has a reputation for candor, has been used by some to reach the Shah with unpleasant news. She is reportedly not afraid to criticize if she feels criticism is necessary.

The most prestigious position next to the Shah is that of minister of court, who serves as director of the Shah's executive office and may be used by him for unofficial and unattributed activities. The incumbent, Amir Assadollah Alam, is especially close to the Shah and has been since they were schoolboy chums. Alam has served the Shah effectively in a wide variety of important posts and was prime minister at the inception of the White Revolution.

The current prime minister, Amir Abbas Hoveyda, is a close adviser to the Shah by virtue of his office. He has held the post for a record seven years. Not all prime ministers have had the confidence of the Shah, but Hoveyda has; and the position is, therefore, one of real influence. Hoveyda's blend of humility, tact, and affability has made him an important asset. Nonetheless, Hoveyda has made it clear that he acts only at the direction of the Shah. The prime minister knows that he, like other officials in the cabinet, serves only at the monarch's pleasure, and that any lapses or any success in building a personal following—would cost him his job.

The Shah and the Military

The military is central to the Shah's plans for his country. He wants to make Iran the most powerful and prosperous Middle East country and bring it significant influence on the world scene, and he believes the military must play a key role

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in this endeavor. He has lavished money on his armed forces—already stronger than any Arab neighbor—in an effort to provide the latest, most sophisticated weapons and the trained men to operate this equipment. Not surprisingly, in view of the military's historic leadership of coups in these countries, the Shah holds this increasingly well armed force under close control. Since much of his own education and training was oriented toward the military, the Shah is commander in chief in fact as well as in name. As with the cabinet, military officers have been arbitrarily moved around and dismissed to keep any one man from becoming a rival. Meanwhile, the Shah makes certain that military pay and perquisites are generous.

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The Shah and the Legislature

Historically, parliament in Iran is opposed to the monarchy. The Shah, like his father, has, therefore, found it necessary to keep both houses, the Majlis and the Senate, under tight control. The Shah approves all candidates for parliament, and in some cases he specifies who is to win. The constitution requires him to appoint half of the Senate. By these means, the Shah is assured of a legislature that will be responsive to his wishes. He is also able to ensure that a cross section of Iranian life, including representatives of groups such as women, make it into parliament.

Given this tight control, it is not hard to see why parliament's performance often lacks conviction. Most bills are dutifully approved by both houses with little more than a semblance of debate. Occasionally, there are sparks of life, for



Women were given the vote in 1963.

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instance, when the Shah's position on draft legislation is not clear beforehand, but these are few and far between. Little legislation gets that far without the Shah's imprimatur.

Even so, the Shah does not ignore the legislature, and on occasion has mollified the Majlis by amending some provisions of draft legislation found by the Majlis to be offensive. In this sense, the legislature serves as a sounding board for proposals that might be badly received by the populace. In 1969, for example, a land-reform bill requiring small landlords to sell rather than lease their land caused considerable dissatisfaction among the large number of small landholders. The bill was criticized in the Majlis. The Shah agreed to allow the landholders more latitude in exchanging the vouchers they received for their land, but maintained the essence of the legislation—that the land had to be sold. More frequently, however, when Majlis deputies object to proposed legislation or the way it is presented, they will debate and delay until the clear intent of the court is made known. Once that is done, they quickly succumb, cease further discussion, and approve the bill.

The Shah and the People

The Shah pays lip service to the philosophy that Iran needs a real constitutional monarchy in which the people participate in national affairs through their political parties. For the present, however, the Shah, in his paternalistic treatment of the people and in his manipulation of the election process, gives no sign that he plans to move in a democratic direction. He is probably sincere about the need for a functioning constitutional monarchy in the distant future, but he is so confident that he knows what is best for Iran that he himself is unlikely to relinquish any of his authority.

In fact, the Shah's relationship with his people is a one-sided affair. He tells them what he thinks is best for them, working through an elaborate provincial government organization. It is, however, a paternalistic system, one in which the lines of authority do not always correspond neatly to the formal organizational charts. Some

senior officials in Tehran have preserved links with their home areas and, in some cases, the local Savak chief wields more power than the provincial governor-general. Occasionally, the various councils and officials also pass back to the Shah the wants and needs of the people, but this is not their primary mission.

When the Iranians learn to behave like Swedes, I will behave like the King of Sweden. The Shah in answer to a query as to why he did not become a constitutional monarch.

Elections are a good example of the way Tehran manipulates the people's participation in government. Publicly, officials describe the process as a training exercise to aid the people to make the transition from a basically feudal society to a modern constitutional monarchy. Privately, officials admit that a facade of democracy has been deliberately constructed, based on a number of elaborate laws honored only in the breach and on a two-party system that is completely artificial. For example, in elections for city, district, and regional educational councils in October 1972, the vast majority of votes were cast by messengers who collected signed blank ballots from voters and delivered them to party workers who marked them as instructed before depositing them in the ballot box.

Iranian political parties, subject to the Shah's absolute control, have the form but not the function of Western political parties. Iran Novin, the ruling party, owes its position to imperial favor and continued "massive victories" at the polls. The Mardom Party, a poor second, has no real standing even among its own members. Election results, even the party breakdown in the Majlis and in provincial councils, are all preordained by the Shah.

In addition to controlling the political parties and elections, the Shah's government maintains tight control over the media. Every morning, representatives from the prime minister's office, the Ministry of Information, and other ministries wait at the newspaper offices for the first copies of the papers, which they take to their superiors for perusal. If these officials find

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anything objectionable, they can order the presses stopped and prevent distribution of copies already printed. Writers of material deemed offensive may find their jobs in jeopardy. Two reporters were recently suspended because of a story that upset the Shah by depicting a terrorist sympathetically.

The people's direct contact with the Shah is necessarily limited. Most hear about his programs through local bureaucrats or from the press or radio. Although pictures of the Shah abound—either alone or accompanied by Empress Farah or sometimes the crown prince—relatively few people get to see him in person. Several times a year he will visit various parts of the country, but these are largely ceremonial occasions and involve mostly government officials. Prime Minister Hoveyda and other functionaries make many trips on the Shah's behalf, however, and, occasionally, Empress Farah has gone into the country to represent him.

Despite the fact that the Iranian system allows a minimum of popular participation, the people appear reasonably satisfied. With material conditions steadily improving, the Shah's manipulation of the political process produces more apathy than resentment. Groups that might otherwise have reason to be unhappy, such as dispossessed landlords, have made money elsewhere, and the burgeoning economy has opened up opportunities for a new managerial elite. There is evidence, however, of a growing hostility among intellectuals. Sporadic acts of terrorism and occasional student disorders attest to the existence of pockets of discontent. This could increase if unemployment rises.

Outlook

The prospects for Iran's continued economic progress are good as long as the Shah remains in power. Oil production is expected to grow considerably and, whatever the details of the settlement with the consortium, Iran will receive substantially more of the earnings than in the past. These large increases will not be enough, however, to cover Iran's ambitious public expenditures, and

continued external financing will be necessary for the next few years.

Although the Shah in the past decade has concentrated his efforts and those of the government on improving the domestic situation, he seems now to be developing an international policy aimed at increasing Iran's importance in the Middle East and the world. In the last year, the Shah has visited or been visited by the chiefs of state of the UK, US, and USSR; in September, the Empress paid a highly publicized visit to China. In line with his expanding view of Iran's defense responsibilities, the Shah has dramatically increased his air and naval weapons procurement, with some emphasis on developing longer range military capabilities.

There is little chance of a coup d'etat, and the Shah appears to be in good health. He is, however, known to be careless of his personal security. Should he be removed from the scene, there is some doubt that the succession mechanism would work to assure the accession of 12-year-old Crown Prince Reza Cyrus Ali. Moreover, Regency is untried in modern Iran, and in this case the regent would be the Queen—a choice only recently sanctioned by law but long forbidden by Iranian custom. It is doubtful that the Empress would be the paramount power in any post-Shah government, however, because she cannot count on the permanent allegiance of the coterie that has built up around her and because she has not so far been involved in major policy decisions. Her present power is hers as the wife of the Shah, not as a person of influence in her own right; still, her challengers would have to reckon with her wide popularity and her constitutional position.

Assuming the Shah remains in power for a good many years, and that is the likelihood, little will change in the way the country is run. There is always a possibility of terrorist disturbances, though, and occasions such as the sixth of Bahman celebrations provide a natural stage for such activities. Nevertheless, the Shah has been able to control dissent in the past, and he should be able to do so in the future.

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